

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.

Rulemaking 12-06-013  
(Filed on June 21, 2012)

**COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES  
ON DDB BUDGET SUBMISSION FOR PHASE 1 STRATEGY  
AND CONTENT DEVELOPMENT**

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August 3, 2017

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**I. INTRODUCTION**

In response to the July 20, 2017 Administrative Law Judge's ("ALJ") Ruling Seeking Additional Comment on Statewide Marketing, Education, and Outreach (Ruling) in the matter of Rulemaking (R.) 12-06-013, the Office of Ratepayer Advocates ("ORA") hereby files the following comments on the budget submission of advertising firm and current implementer of the statewide Energy Upgrade California program, DDB.

**II. BACKGROUND**

The July 20, 2016 ALJ Ruling introduced the possibility of a phased implementation of statewide Marketing, Education, and Outreach (ME&O) efforts relating to the transition to default time-of-use ("TOU") rates. The Ruling describes the potential first phase as follows:

The first phase (Phase I or the strategy and content development phase) would be limited in scope and would include strategy updates and development based on the ME&O Blueprint and current [Energy Upgrade California] campaign, content development and creative design, and content development surveys and testing.

The Ruling then directed DDB, the current implementer of the statewide Energy Upgrade California program, to submit a budget for the scope of work included in Phase I. On July 28, 2017 DDB provided a proposed budget totaling \$31,694,243.

### **III. ORA COMMENTS**

#### **1. The ME&O Working Group Should Assess DDB's Proposed Budget Prior to Commission Approval**

ORA recommends that the ME&O Working Group ("WG") established in the Residential Rate Reform Rulemaking (R.12-06-013) should convene, either through a meeting or a workshop, to consider DDB's proposed scope and associated budget before the Commission authorizes the full amount to be spent on Phase 1 activities. The ME&O WG also should solicit input from the TOU WG to incorporate lessons learned from the TOU pilots, which have included tests of some ME&O strategies and tactics. The dollar budget proposed by DDB is substantial, and the ME&O WG should be afforded an opportunity to review the budget prior to it being approved. Representatives from DDB should participate in the discussions with the ME&O WG to answer questions from the WG regarding the budget proposal. DDB's participation will expedite this process.

DDB requests a budget of \$31,694,243 for the Phase I activities described in the ALJ Ruling, and assumes an approximate total program budget of \$100 million in media spending over two years.<sup>1</sup> DDB has represented to ORA that the budget can be scaled down after a media budget is confirmed, but that given the scope of work DDB expects that the campaign will require the investment of \$100 million.<sup>2</sup>

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<sup>1</sup> See Pricing Worksheet for Task 1 - Planning, Establish and Implement Creative Direction, Execute Campaign; attached to PG&E's August 2, 2017 Budget Submission On Behalf Of the Commission's Energy Upgrade California Implementer, DDB, for Phase 1, Strategy and Content Development, Described in Attachment A to the July 20, 2017 Administrative Law Judge Ruling in this Proceeding.

<sup>2</sup> DDB response to ORA July 28, 2017 email questions. Please see Attachment A.

Consideration of DDB’s Phase 1 budget is of necessity preliminary, given the short period allowed for filing of comments by ORA and other stakeholders. The budget includes a number of items that should be reviewed and considered by the WG. For example, the budget for deliverable 2, labeled as “Government Affairs & Community Engagement” includes approximately \$3 million in “in-house” spending and approximately \$2 million in “outsourced” spending associated with the various tasks within the deliverable.<sup>3</sup> The budget for deliverable 3, labeled as “Brand and Communications Strategy & Creative Execution” includes approximately \$7.8 million “in-house” spending and approximately \$11.5 million in “outsourced” spending.<sup>4</sup> These programs are not well defined, and the proposed associated expenditures are large and lack adequate justification.

The Commission and the WG should be provided with additional information regarding how the budget ties to a number of critical questions, such as:<sup>5</sup>

- Whether the \$100 million budget for media expenditure is reasonable, and whether it is inclusive of the \$31 million proposed for Phase I.
- Whether and how the statewide campaign will address customers excluded from default TOU.
- Whether the statewide campaign will be tailored to the unique TOU period definitions ultimately adopted by the Commission for each IOU.
- Whether and how the statewide campaign will differentiate bundled IOU customers from Direct Access and Community Choice Aggregator customers.

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<sup>3</sup> See Pricing Worksheet for Task 1 - Planning, Establish and Implement Creative Direction, Execute Campaign; attached to PG&E’s August 2, 2017 Budget Submission.

<sup>4</sup> *Ibid.*

<sup>5</sup> ORA submitted the above-mentioned questions via email to PG&E and DDB. DDB provided high-level responses, which are included in Attachment A.

- Whether and how the statewide campaign budget would be impacted if the IOUs have different Default TOU implementation timelines.

The WG should have an opportunity for comprehensive consideration and discussion of the specifics of the budget proposal, and to present a collaborative recommendation to the Commission prior to the Commission authorizing PG&E to expand the scope of DDB's contract by the substantial amount DDB proposes.

#### **IV. CONCLUSION**

For the reasons stated above, ORA recommends that the ME&O working group, either through a meeting or a workshop, should consider the need for statewide ME&O, and DDB's proposed budget for Phase I.

Respectfully submitted,

/s/ WILLIAM MAGUIRE

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August 3, 2017

**Attachment A**

**July 28, 2017 E-mail Communication between DDB and ORA**